

# Generous Funds For Welfare and Child Care

## *The Deficit Reduction Act of 2005 Continued Fully Funding TANF Despite Unprecedented Caseload Declines*

**Under the 1996 reforms, states have ample funds to help welfare recipients find jobs.**

- Since 1996, federal funding has grown while caseloads have declined 64 percent, leading to total taxpayer support per family on welfare (AFDC/TANF) to more than double from about \$7,000 in 1996 to about \$16,000 in 2005.
- According to most recent data (September 2004), states have almost \$4 billion in unspent prior year TANF funds. Such “welfare savings” were not possible under the prior AFDC program.

**Despite significant welfare caseload declines, the *Deficit Reduction Act of 2005* continues full funding for TANF and increases child care funding by \$1 billion.**

- States will receive \$16.6 billion in Federal TANF block grant funds for each of the next 5 years (2006-2010) – the same as in 1997-2005.
- States are required to spend only 75 percent of what they historically spent in state funds under AFDC programs (about \$10.4 billion per year). This state “maintenance of effort” requirement is \$3.5 billion less per year than what states were spending under AFDC, which saved states about \$30 billion since 1996.
- The *Deficit Reduction Act of 2005* also added \$1 billion over the next five years to the already record high level of federal child care funding.

**Over the next five years, a total of approximately \$175 billion in federal and state funds will be available for TANF and child care services. This record-high level of funding is made available despite unprecedented caseload declines.**

- The block grant is maintained at its peak level, set in 1994-95, despite unmatched national caseload declines of 64 percent since August 1996, as recipients declined from 12.2 million in August 1996 to 4.4 million in December 2005.
- In the past, AFDC funds fluctuated with changes in the caseload. *If* we had maintained AFDC and *if* the caseloads had still fallen steeply, federal welfare funds would have been slashed. Federal funds weren’t cut due to the fixed TANF block grant created under the 1996 welfare reform law.